# WIRRAL COUNCIL

## PENSIONS COMMITTEE

**16 JULY 2018**

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| **SUBJECT:** | **TREASURY MANAGEMENT ANNUAL REPORT 2017/18** |
| **WARD/S AFFECTED:** | **ALL** |
| **REPORT OF:** | **DIRECTOR OF PENSIONS** |
| **KEY DECISION?** | **NO** |

**1.0 EXECUTIVE SUMMARY**

1.1 This report presents a review of treasury management activities within Merseyside Pension Fund (MPF) for the 2017/18 financial year and reports any circumstances of non-compliance with the treasury management strategy and treasury management practices. It has been prepared in accordance with the revised CIPFA Treasury Management Code.

**2.0 BACKGROUND AND KEY ISSUES**

2.1 Treasury Management in Local Government is governed by the CIPFA Code of Practice on Treasury Management in the Public Services and in this context is the "management of the Fund's investments and cash flows, its banking, money market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks".

2.2 On 23 January 2017 Pensions Committee approved the Treasury Management Policy and Strategy 2017/18.

2.3 This report relates to money managed in-house during the period. It excludes cash balances held by investment managers in respect of the external mandates and the internal UK and European investment managers.

**TREASURY MANAGEMENT**

2.4 As at 31 March 2018, MPF had a cash balance of £53.2 million as against £75.2 million at 31 March 2017. All of these funds were held on call (instant access) accounts with Lloyds, Santander and Invesco.

2.5 Managing counterparty risk continued to be the overarching investment priority. Investments during the year included:

- Call (instant access) accounts and deposits with UK banks
- Investments in AAA rated money market funds with a constant Net Asset Value.

2.6 The rate at which MPF can invest money continues to be low; the Bank of England base rate was increased from 0.25% to 0.50% in November 2017.

2.7 Over the twelve month period, Northern Trust calculated the cash performance to be 0.23% against a benchmark performance (7 day LIBID) of 0.21%.

2.8 Transactions were undertaken to reflect the day-to-day cash flows of the Fund, matching inflows from receipts to predicted outflows.

2.9 The detailed cash flow plans were managed so as to be compliant with the deposit limits agreed for individual financial institutions as reflected in the Treasury Management Policy for 2017/18, apart from the limit with our current bankers Lloyds detailed within section 2.10 below.

2.10 There were two incidences where the Fund was non-compliant with the treasury management policy throughout 2017/18. The Fund breached the deposit limit held with its current bankers, Lloyds, due to the receipt of significant funds that the treasury team was not notified of; the anomaly was rectified the next working day, with no financial disadvantage to the Fund. The Fund during 2017/18 was also put in an overdrawn position overnight. This was due to significant transactions taking place on a given date and cash proceeds from the redemption of investments not being received when expected; this resulted in a financial loss to the Fund of £7,582.41. Working procedures have been reviewed and updated to further strengthen the control environment to prevent reoccurrence.

## 3.0 RELEVANT RISKS

3.1 All relevant risks have been discussed within section 2 of this report.

## 4.0 OTHER OPTIONS CONSIDERED

4.1 There are no other options considered in this report

## 5.0 CONSULTATION

5.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising out of this report.

## 6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no outstanding previously approved actions

## 7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising out of this report.

## 8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 The financial implications are stated above.

## 9.0 LEGAL IMPLICATIONS

9.1 The legal implications have been discussed within section 2 of this report.

## 10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

**11.0 CARBON REDUCTION IMPLICATIONS**

11.1 There are none arising out of this report.

**12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

12.1 There are none arising out of this report.

**13.0 RECOMMENDATION/S**

13.1 That the Treasury Management Annual Report for 2017/18 be agreed.

**14.0 REASON/S FOR RECOMMENDATION/S**

14.1 The Treasury Management Code requires public sector authorities to determine an annual Treasury Management Strategy and, as a minimum to report formally on their treasury activities and arrangements mid-year and after the year-end. These reports enable those tasked with implementing policies and undertaking transactions to demonstrate that they have properly fulfilled their responsibilities and enable those with responsibility/governance of the treasury management function to scrutinise and assess its effectiveness and compliance with policies and objectives. The requirement to report mid-year is met via regular reports to the Investment Monitoring Working Party (IMWP).

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**APPENDICES**

*None.*

**REFERENCE MATERIAL**

*Treasury Management Policy and Strategy 2017/18*
*Code of Practice for Treasury Management in Public Services – CIPFA*

**SUBJECT HISTORY (last 3 years)**

| Council Meeting | Date |
|---|---|
| **Pensions Committee** | **19 January 2015** |
| **Pensions Committee** | **22 June 2015** |
| **Pensions Committee** | **25 January 2016** |
| **Pensions Committee** | **20 June 2016** |
| **Pensions Committee** | **23 January 2017** |
| **Pensions Committee** | **17 July 2017** |

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| **Pensions Committee** | **22 January 2018** |